

Hilcorp Energy Company

December 20, 2004

**Commissioner James H. Welsh
Office of Conservation
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Baton Rouge, LA. 70804-9275**

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Houston, TX 77208-1229

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**RE: Request for Hearing
Authority for Down Hole Combination and
Substitute Unit Well at an Exceptional Location
Hilcorp Energy Company (H032)
SL 188 U2 No. 7 Well (SN 220613)
Caillou Island Field
Terrebonne Parish, Louisiana**

Dear Commissioner Welsh,

Hilcorp Energy Company (Applicant), pursuant to the provisions of Title 30 of the Revised Statutes of 1950 and applicable Memorandum, hereby respectfully applies for permission to designate and utilize the SL 188 U2 No. 7 well (SN 220613) as the substitute unit well at an exceptional location for the MID 84 RB SUA, Caillou Island Field, Terrebonne Parish, Louisiana. Additionally, Hilcorp request authority to downhole combine production from the 84 A RB, MID 84 RB SUA, 84 B RB, and L 84 RB SUA. Hilcorp respectfully requests that a hearing be called by your Department, after ten-day legal notice, to consider evidence relative to the issuance of an order designating the substitute unit well at an exceptional location for the MID 84 RB SUA, and to downhole combine production from the 84 A RB, MID 84 RB SUA, 84 B RB, and L 84 RB SUA in the SL 188 U2 No. 7 well, Caillou Island Field, Terrebonne Parish, Louisiana.

With regard to the substitute unit well at an exceptional location, Office of Conservation Order No. 411-QQ, effective December 1, 1975, established rules and regulations and created the drilling and production unit for the exploration for and production of oil and gas from the MID 84 RB SUA in the Caillou Island Field, Terrebonne Parish, Louisiana. The location of the SL 188 U2 No. 1, as illustrated on the attached plat, is less than 330 feet from the unit line, and will require an exception to the well location requirements adopted by Office of Conservation Order No. 411-QQ. The current unit well for the MID 84 RB SUA is SL 188 No. 605 (SN 142121). This well is currently shut in after being recompleted out of the MID 84 RB in 1996.

Hilcorp requests the issuance of an Order authorizing them to designate and utilize their SL 188 U2 No. 7 well as the substitute unit well at an exceptional location for the MID 84 RB SUA.

With regard to downhole combination, Hilcorp Energy Company requests authority to down hole combine production from various separate sources of hydrocarbon in their SL 188 U2 No. 7 well in the Caillou Island Field. This well is currently completed in the L 84 RB SUA, by Order No. 411-MMMM, at perforations from 11,167' to 11,184'. The last production rate from the L 84 RB SUA was 7 BOPD, 0 MCFD, and 84 BWPD. This sand is not economical at this rate. Hilcorp proposes to add perforations to the 84 A RB (formerly the 84 RB SUA (dissolved by Order No. 411-FF-1)), the MID 84 RB SUA (by Order No. 411-QQ), the 84 B RB, and the L 84 RB SUA from 11,010' to 11,164'. The 84 RB SUA was dissolved at hearing by Order 411-FF-1, effective June 7, 1974, because the unit well began making 100% saltwater on March 20, 1972. The MID 84 RB SUA last produced in 1977 making approximately 12 BOPD before saltwater production required the well to be shut in. Perforations are also proposed to be added at depth intervals in the SL 188 U2 No. 7 well between the top of the 84 RB SUA and the base of the L 84 RB SUA, at intervals that are not defined by Conservation Orders mentioned herein. These perforations will be within the sand intervals identified as the 84 A RB and 84 B RB. Perforations will be added at the electric log depths of 11,010' to 11,164' in the SL 188 U2 No. 7 well. There are existing perforation in the L 84 RB SUA from 11,167' to 11,184'.

The following is the definition of the oil and gas bearing sands to be combined on the electric log of the Texaco Exploration and Production Inc. - VUC;SL 188 U2 No. 7 well, located in Township 23 South, Range 20 East, Terrebonne Parish, Louisiana;

<u>SAND NAME</u>	<u>INTERVAL</u>
84 A RB	11,010' - 11,059'
MID 84 RB SUA	11,060' - 11,073'
84 B RB	11,074' - 11,165'
L 84 RB SUA	11,166' - 11,220'

This procedure would allow for the economic and efficient recovery of the remaining minimal reserves in the 84 A RB, MID 84 RB, 84 B RB, and L 84 RB. These sands are believed to have similar bottom hole pressures and act as water drive reservoirs. This is a salvage operation with the intention of recovering a minimal amount of reserves remaining in these 84 Sands.

Therefore, Hilcorp Energy Company is requesting permission to downhole combine production from the 84 A RB, MID 84 RB SUA, 84 B RB, and L 84 RB SUA in the SL 188 U2 No. 7 well bore. If downhole combination is not approved, the minimal remaining reserves in the subject 84 Sands will not be recovered.

Production from these reservoirs would be paid on a the basis of the highest tract participation for each royalty owner in each of the subject two units, VUC, and SL 188, as illustrated in Exhibit A.

Therefore, all royalty owners will have their interest kept whole with regard to the downhole combination of the reservoirs, and therefore no inequities to the royalty owners will occur. Production will be reported to the L 84 RB SUA. All of the subject 84 sand reservoirs are wholly contained on State Lease No. 188. This application is made in order to economically produce hydrocarbons from separate sources simultaneously, that would otherwise not be possible.

Hilcorp Energy Company requests that they be recognized and designated as the operator of the above mentioned units and State Lease No. 188 U2 No. 7 well.

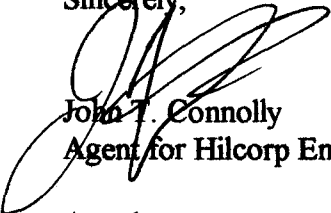
Attached for your review and in support of this application are the following:

1. Location plat and 1" log for the SL 188 U2 No. 7 well.
2. Unit orders and structure maps for the 84 RB, MID 84 RB, and L 84 RB Sands.
3. Logs and test data for the wells which define the subject units.
4. Exhibit A
5. Application fee for hearing of \$ 3020.00 (\$755.00 for the two units and for the lease based production intervals).
6. List of names and addresses of all interested owners and represented parties notified of this application.
7. Plat illustrating the current unit well and proposed substitute unit well for the 84 RB SUA.

Hilcorp Energy Company has a 100 % working interest in the subject well, lease, and units.

If you have any questions, or need any additional information, please call me at 225-753-4723, or email at ersses@cox.net.

Sincerely,



John T. Connolly
Agent for Hilcorp Energy Company

Attachments

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Interested owners and represented parties

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